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Ex Parte

Ms. Marlene H. Dortch
Secretary, Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

**Re: Connect America Fund, WC Docket No. 10-90
Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92**

Dear Ms. Dortch:

On December 8, 2017, Tamara Preiss, Curtis Groves, and Alan Buzacott of Verizon met with Nicholas Degani, Senior Counsel to Chairman Pai, and Jay Schwarz, Wireline Advisor to Chairman Pai, to discuss the above-captioned proceedings.

In the meeting, we explained that Commission action to transition originating access rates and the remaining transport rates to bill and keep is long overdue, and that the delay in completing the transition to bill and keep has allowed both 8YY- and transport-based arbitrage schemes to proliferate.

We used the attached diagrams to illustrate 8YY call flows, including the call flows involved in two common 8YY-based arbitrage schemes. In one scheme, a LEC aggregates 8YY traffic from VoIP providers, wireless carriers, and other LECs across a wide area. Rather than benchmark its originating tandem switched transport rates to the rates tariffed by the incumbent LEC in the area where the call originated, the CLEC bills the higher rates tariffed by the incumbent LEC in the area where the call is handed off to the IXC. This practice violates the CLEC benchmark rule, which requires CLECs to benchmark their rates to “the incumbent local exchange carrier ... that would provide interstate exchange access services, in whole or in part, to the extent those services were not provided by the CLEC.”¹ However, as long as 8YY tandem-switched transport rates remain high, and continue to vary from LEC to LEC, there will be strong incentives for carriers to engage in such arbitrage schemes.

¹ 47 CFR § 61.26(a)(2), (b)(1).

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As the attached diagrams also show, the highest originating access rates – over six cents per minute – are billed by NECA LECs and by CLECs that claim to be “rural CLECs” so that they can bill the highest (“Band 8”) NECA rates.² These high rates create incentives to generate fraudulent 8YY calls using auto dialers and robocallers.

We explained in the meeting that the Commission should act immediately to transition 8YY access charges to bill and keep or, as an interim measure, to reduce 8YY access charges to a low uniform national rate. We also explained that the Commission should complete the transition of the remaining transport rates to bill and keep. At a minimum, it is time for the Commission to end access stimulation once and for all by reducing transport rates to bill and keep for those carriers engaged in access stimulation.

The record in this proceeding is sufficient for the Commission to adopt rules for transitioning 8YY access charges and the remaining transport charges to bill and keep. As an initial matter, the Commission has already determined bill-and-keep should be the end state for all traffic and has decided that originating access charges are inconsistent with the section 251(b)(5)-based legal framework adopted in the *Transformation Order*.³ Furthermore, the Commission has on several occasions sought comment on the implementation of the transition to bill and keep, including the option of a “distinct 8YY resolution”⁴ and the “appropriate schedule” for the transition to bill and keep, including the “timing of any necessary interim steps.”⁵ As a result, the Commission has developed an extensive record to support the adoption of a plan to transition 8YY access charges to bill and keep, including – as a first step in the transition – targeted action to address the most prevalent forms of 8YY arbitrage.

This letter is being filed electronically pursuant to Section 1.1206 of the Commission’s rules. Please contact me if you have any questions.

Sincerely,



cc: Nicholas Degani
Jay Schwarz

² 47 CFR § 61.26(a)(6), (e). A CLEC may also bill high NECA rates by operating in the territory of a NECA LEC.

³ *Connect America Fund, et al.*, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17,663, ¶¶ 817, 1298 (2011) (“*Transformation Order*”).

⁴ *Id.*, ¶ 1304. See also *Parties Asked to Refresh the Record Regarding 8YY Access Charge Reform*, Public Notice 32 FCC Rcd 5117 (2017); *Parties Asked to Refresh the Record on Intercarrier Compensation Reform Related to the Network Edge, Tandem Switching and Transport, and Transit*, Public Notice, 32 FCC Rcd 6856 (2017).

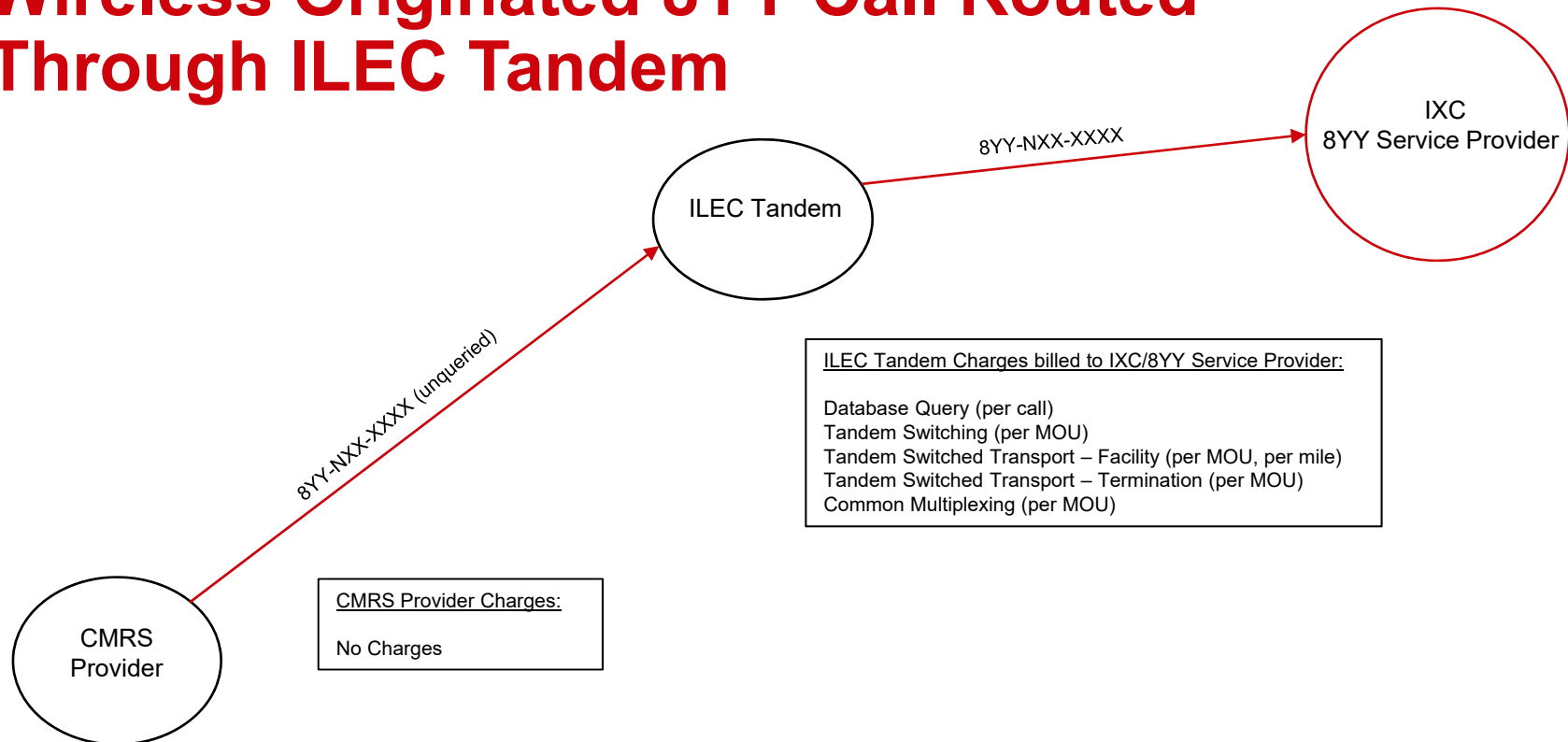
⁵ *Id.*, ¶ 1299.

8YY Switched Access Charges by Call Flow

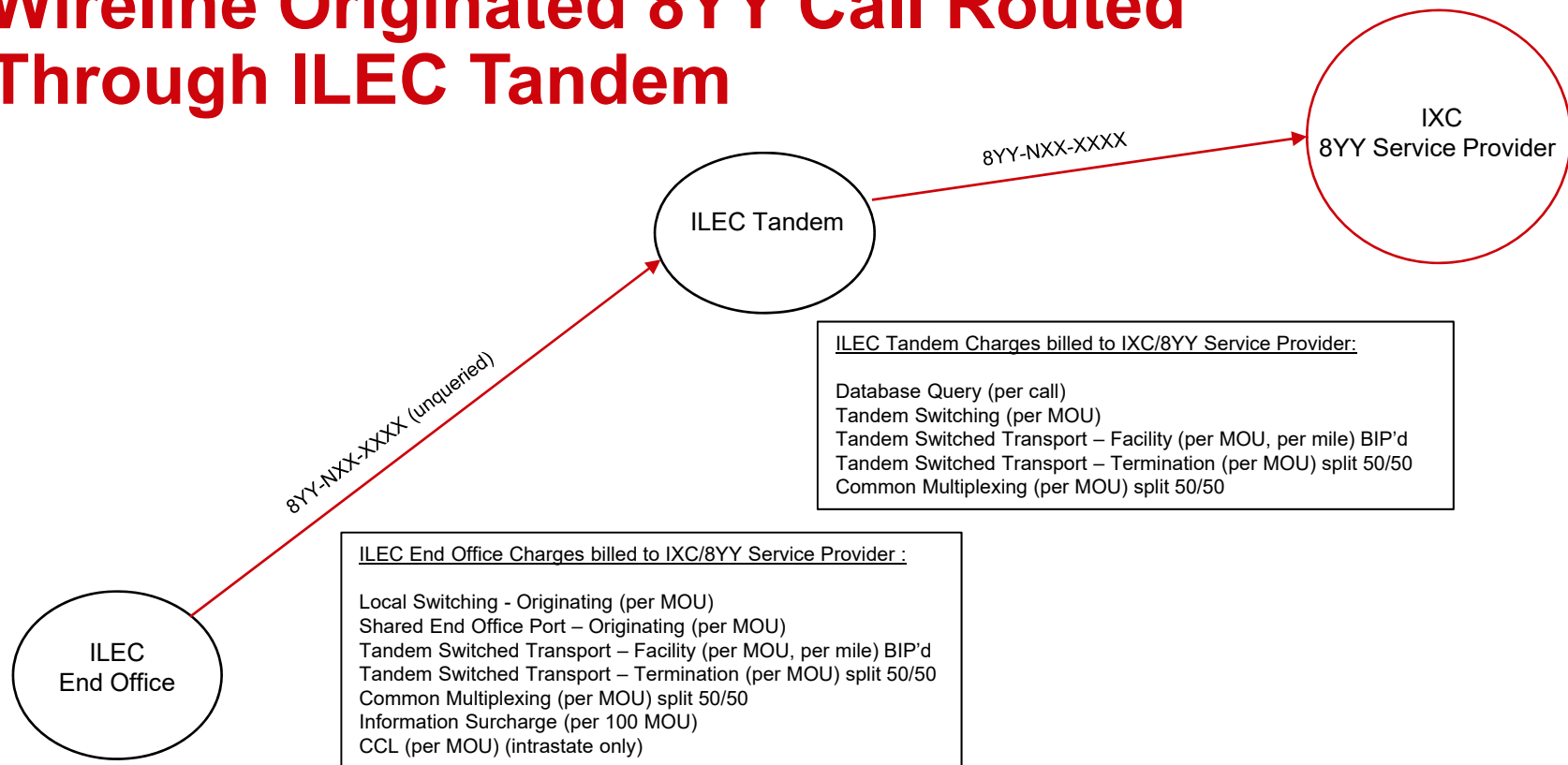
November 2, 2017

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Wireless Originated 8YY Call Routed Through ILEC Tandem



Wireline Originated 8YY Call Routed Through ILEC Tandem



NECA Tariff Rates for 8YY Traffic

NECA End Office Charges:

Local Switching (per MOU):

Rate Band 1 - \$.014645
Rate Band 2 - \$.019529
Rate Band 3 - \$.024410
Rate Band 4 - \$.029293
Rate Band 5 - \$.034175
Rate Band 6 - \$.039056
Rate Band 7 - \$.043939
Rate Band 8 - \$.048822

Information Surcharge (per 100 MOU):

All Rate Bands - \$.0537

NECA Tandem Charges:

Database Query (per call):

Basic	\$.0058
Vertical Feature	\$.0064

Tandem Switching (per MOU)

Rate Band 1 - \$.002685
Rate Band 2 - \$.005731

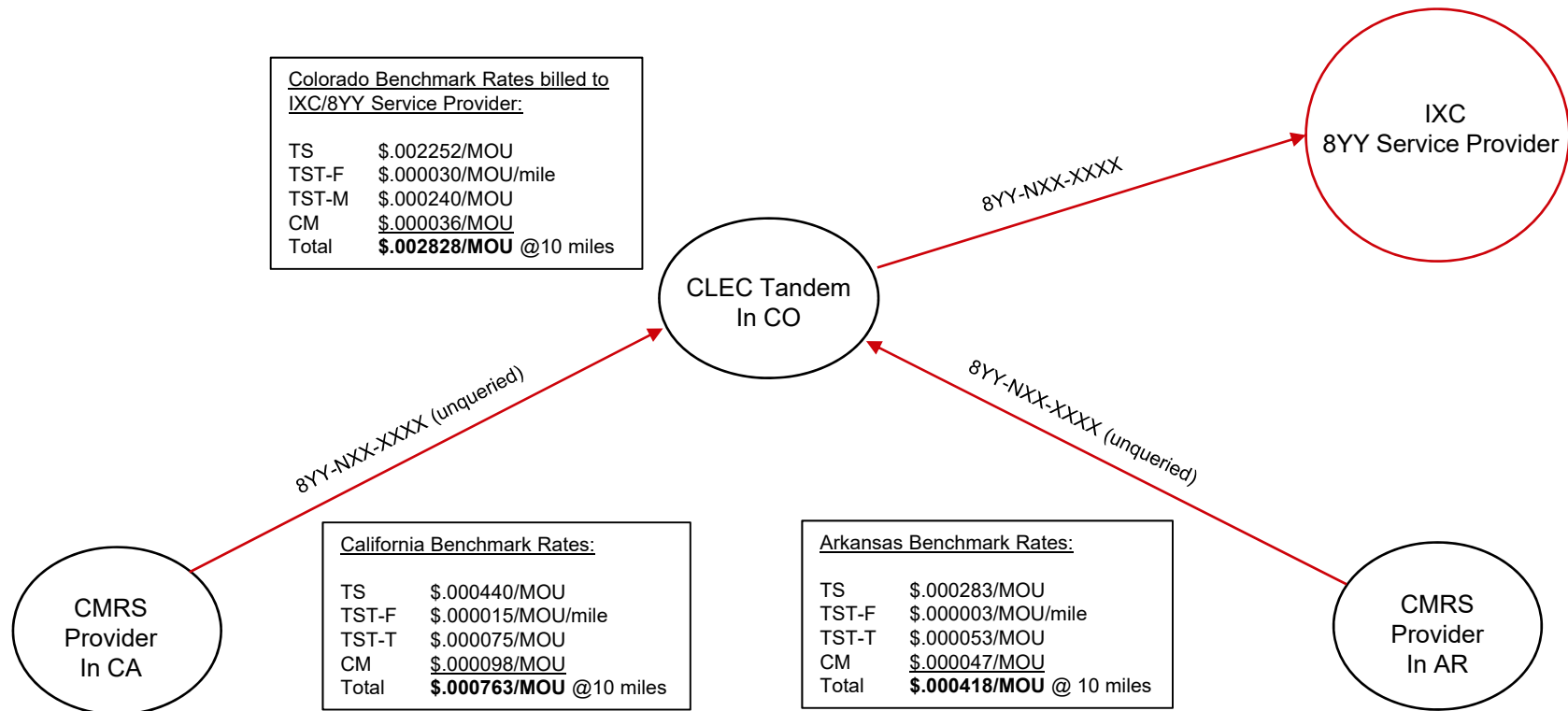
Tandem Switched Transport – Facility (per MOU, per mile)

Rate Band 1 - \$.000204
Rate Band 2 - \$.000438

Tandem Switched Transport – Termination (per MOU)

Rate Band 1 - \$.001065
Rate Band 2 - \$.002272

8YY Aggregation



8YY Temptation for Bad Traffic

